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Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05
SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
FEAE-00 OMB-01 /100 W
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R 241508Z JUN 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 0486
INFO ALL EC CAPITALS
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 06752

USEEC

PARIS ALSO FOR OECD

E.O. 11652: N/A
TAGS: ETRD, EEC
SUBJ: COMMISSION VIEWS ON EC TRADE POLICY AND MTN

REF: (A) GENEVA 5030 (NOTAL), (B) BRUSSELS 6369

1. SUMMARY: COMMISSIONER CHEYSSON IN RECENT INTERVIEWS AND SPEECHES HAS CALLED FOR A SELECTIVE, CONDITIONAL APPROACH TOWARD TRADE LIBERALIZATION, WITH A SPECIAL EMPHASIS ON PROMOTING RECIPROCAL TRADE/COMMERCIAL RELATIONS WITH THE LDC'S. WE DO NOT BELIEVE THESE VIEWS ARE WIDELY SUPPORTED BY OTHER KEY COMMISSIONRS AND CERTAINLY HAVE NOT BEEN ADOPTED AS OFFICIAL COMMISSION POLICY. HOWEVER, THEY DO IN PART REFLECT CONCERN OVER MTN PROSPECTS AND LACK OF A CENTRAL LEADERSHIP AUTHORITY AT PRESENT ON MTN ISSUES. COM-MISSION STAFF HAS PREPARED A DISCUSSION PAPER ON LINKAGES
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BETWEEN EXTERNAL DEVELOPMENT POLICIES AND INTERNAL EC INDUSTRIAL POLICY; HOWEVER THIS PAPER, WHICH PRESUMABLY PROVIDED MUCH OF THE GRIST FOR LE MAITRE'S ARTICLE, DOES NOT EVEN NECESSARILY REFLECT CHEYSSON'S VIEWS. END SUMMARY.

2. AT NOTED IN REF "A", THERE HAVE BEEN A SPATE OF NEWS

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ARTICLES LARGELY STIMULATED BY COMMISSIONER CHEYSSON
AND HIS STAFF REGARDING PROSPECTS
FOR MTN AND POSSIBLE EVOLUTION OF EC TRADE POLICY.
THESE STATEMENTS NEITHER REFLECT THE VIEWS OF THE
COMMISSION AS A WHOLE FOR THE MAJORITY OF ITS STAFF.
COMMISSION OFFICIALS TELL US THAT THE RECENT LE MONDE
ARTICLE (REF A) ON THIS SUBJECT IS NOT AN ACCURATE REPRE-
SENTATION OF CURRENT COMMISSION THINKING. INDEED, CHEYSSO
IS SPEAKING ON HIS OWN, AND HE HAS EMPHASIZED THIS. HE IS
ADDRESSING HIS VIEWS PRIMARILY TO A FRENCH SOCIALIST
AUDIENCE. NEVERTHELESS, CHEYSSON OUTSPOKENNESS IS INDICA-
TIVE OF GROWING CONCERN AMONG ELEMENTS OF THE COMMISSION
OVER THE IMPACT OF TRADE LIBERALIZATION AND CONTINUED
RECESSION ON MEMBER STATE ECONOMIES AND A RESULTANT DOWN-
GRADING PROSPECTS FOR SIGNIFICANT EC CONCESSIONS IN THE
MTN.

3. CHEYSSON HAS SPOKEN OUT IN SEVERAL RECENT SPEECHES,
PARTICULARLY IN ONE OF MAY 17 TO AN INDUSTRIAL GROUP IN
PARIS. CHEYSSON CALLS FOR SELECTIVE LIBERALIZATION AND
A CONDITIONAL APPROACH TOWARD FUTURE EC TRADE POLICIES.
HIS STAFF SUMMARIZES HIS THINKING AS FOLLOWS: THE CURRENT
MTN NEGOTIATIONS ARE ON DEAD CENTER AND GATT ARRANGEMENTS
ARE UNRAVELLING AS INDICATED BY THE INCREASED USE OF
ORDERLY MARKETING ARRANGEMENTS AND UNILATERAL TRADE RE-
STRICTIONS. AT THE SAME TIME, EC TRADE WITH THE LDC'S
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IS GROWING AND IN 1976 AMOUNTED TO 36 PERCENT OF EC
EXPORTS, OF WHICH THE NON-OIL PRODUCING LDC'S ACCOUNTED
FOR 19 PERCENT. THE EC SHOULD ENCOURAGE THIS TREND
(OFFERING PREFERENTIAL REGIONAL ARRANGEMENTS TO THE LDC'S
IN EXCHANGE FOR RECIPROCAL ADVANTAGES FOR THE EC.) SUCH
AN APPROACH WOULD INVOLVE: (1) LDC/EC TRADE ARRANGEMENTS
SHOULD AVOID PROMOTING INDUSTRIAL ENCLAVES WHICH EXPLOIT
EC MARKETS WITHOUT BEING OF REAL BENEFIT TO THE HOST
COUNTRY; (2) THESE ARRANGEMENTS SHOULD BE CONDITIONAL;
FOR EXAMPLE, LDC'S WOULD AGREE TO DEVELOP THEIR DOMESTIC
MARKETS AND TO PROVIDE HUMANE CONDITIONS AND WAGES FOR
WORKERS; (3) RECIPROCITY WOULD INVOLVE EXTENSION OF EC
TRADE PREFERENCES IN RETURN FOR LDC COMMITMENTS: (A) TO
ACCEPT FOREIGN PRIVATE INVESTMENT; (B) PROMOTE RESOURCE
DEVELOPMENT; AND (C)TO ARRANGE FOR ACCESS TO, AND SECURITY
OF SUPPLY OF, RAW MATERIALS; AND (4) EC TRADE RELATIONS
WITH THE LDC'S SHOULD BE BALANCED; FOR EXAMPLE, GSP
BENEFITS SHOULD NOT BE USED PRIMARILY BY A FEW HIGHLY
COMPETITIVE LDC'S.
4. THE EC COMMISSION STAFF HAS PREPARED A PRELIMINARY
FIRST DRAFT PAPER ON "THE RECIPROCAL IMPLICATIONS OF
DEVELOPMENT COOPERATION POLICY AND OTHER EC POLICIES".

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AS NOTED IN REF B, CHEYSSON INTRODUCED THE PAPER AT THE
JUNE 16 DEVELOPMENT COUNCIL. THIS COUNCIL HAD REQUESTED
SUCH A PAPER LAST OCTOBER, BECAUSE IT WANTED TO ANALYZE
THE LINKAGES BETWEEN EC DEVELOPMENT POLICY AND INTERNAL
EC POLICIES, ESPECIALLY INDUSTRIAL POLICY. IT DOES NOT
FULLY INCORPORATE THE VIEWS OF CHEYSSON; IN FACT, STAFF
OFFICIALS WHO PREPARED IT CONSIDER CHEYSSON'S SUGGESTED
APPROACH TO BE EXAGGERATED AND ILL-CONCEIVED. THE PAPER,
INSTEAD, FOCUSES ON HOW DEVELOPMENT POLICY, ESPECIALLY
TRADE PROMOTION, COULD BE LINKED TO RESTORING THE EC
ECONOMY TO FULL EMPLOYMENT AND RAPID GROWTH. IT DOES NOT
HAVE THE SUPPORT OF THE COMMISSION BECAUSE SEVERAL COM-
MISSIONERS OBJECTED TO IT. INSTEAD, IT WAS PUT FORWARD
AS AN INTRA-COMMISSION STAFF PAPER. COMMISSIONER DAVIGNON
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REPORTEDLY SUPPORTS ASPECTS OF THE PAPER CONCERNING EC
INDUSTRIAL POLICY AND COMMISSIONER GIOLETTI SUPPORTS ITS

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
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IDEAS CONCERNING STRENGTHENING EC REGIONAL POLICIES. IT
DOES NOT SUGGEST A SLOW-DOWN OF MTN. INSTEAD, IT IS

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DESIGNED TO PROVOKE DISCUSSION ON FUTURE EC POLICIES RE-
GARDING THESE LINKAGES. IT CONTAINS NO PROPOSALS AND
DRAWS NO CONCLUSIONS.

5. THE PAPER NOTES THAT TRADE LIBERALIZATION, PARTICULARLY
WITH THE LDC'S, SHOULD BE TIED TO EC POLICIES TO MINIMIZE
THE SOCIAL COSTS FOR EC PRODUCERS AND AN ADVERSE IMPACT
ON INTERNAL EC ADJUSTMENT. IT ALSO NOTES THAT TRADE
LIBERALIZATION COULD MAKE IT MORE DIFFICULT FOR THE EC TO
MAINTAIN FULL EMPLOYMENT, UNLESS MEASURES ARE TAKEN TO
ACCELERATE ECONOMIC GROWTH. THE PAPER CONCLUDES THAT
TRADE, DEVELOPMENT AND INTERNAL ADJUSTMENT POLICIES NEED
TO BE CONSIDERED TOGETHER. IT SUGGESTED SEVERAL POINTS
FOR FURTHER STUDY, SUCH AS THE POSITIVE AND NEGATIVE IMPAC
OF TRADE LIBERALIZATION ON FULL EMPLOYMENT, ON REGIONAL
INTEGRATION AND ON ECONOMIC GROWTH. THIS PAPER WILL NOW
BE TAKEN UP BY THE COUNCIL WORKING GROUP ON DEVELOPMENT
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POLICY AND PERHAPS BY OTHER COUNCIL FORA, BUT WITH WHAT
RESULT, IF ANY, IS NOT CLEAR.

6. COMMENT: CHEYSSON FREQUENTLY SPEAKS OUT ABOUT ISSUES
WHICH ARE NOT, STRICTLY SPEAKING, HIS PRIMARY RESPONSI-
BILITY. IN THIS PROCESS, HE OFTEN EXAGGERATES IN ORDER
TO DRIVE HOME HIS POINT. HE IS A POLITICAL ANIMAL WITH
POLITICAL AMBITIONS IN FRANCE AND LOOKS FOR OPPORTUNITIES
TO MAKE HEADLINES IN THE FRENCH PRESS. APART FROM
CHEYSSON HIMSELF, WE WOULD NOTE THAT COMMISSION POLICY ON
MTN ISSUES IS MAINLY A RESPONSIBILITY SHARED AMONG
HAFERKAMP, GUNDELACH AND DAVIGNON, WITH JENKINS IN THE
BACKGROUND READY TO PLAY A ROLE WHEN NEEDED. WE ARE
INCLINED TO ASSIGN MORE WEIGHT TO THEIR VIEWS THAN TO
THOSE OF CHEYSSON OR OTHER COMMISSION OFFICIALS WITH
THEIR OWN AXES TO GRIND. FINALLY, AS HIJZEN FADES OUT
OF THE PICTURE, THE POLICY REIGNS ON COMMISSION BUREAU-
CRATS ARE TEMPORARILY SLACK, WAITING FOR DENMAN TO PICK
THEM UP, IF HE WILL. ALL THESE CONSIDERATIONS MAKE THE
CURRENT PERIOD ONE IN WHICH A VARIETY OF ALTERNATIVES AND
IDEAS, REGARDLESS OF THEIR MERITS, ARE LIKELY TO GET AN
AIRING. THE LE MONDE ARTICLE IS DOUBTLESS AN ACCURATE
REFLECTION OF SOME OF THESE, BUT BY NO MEANS THE LAST OR
MOST DEFINITIVE WORD. WE AGREE WITH MISSION GENEVA THAT
THESE IDEAS FURNISH USEFUL BACKGROUND FOR US-EC MTN BI-
LATERALS, BUT WE STRONGLY CAUTION AGAINST ASSIGNING IT
SIGNIFICANT WEIGHT AS AN INDICATION OF FUTURE EC POLICY.
END COMMENT.

7. THE MISSION HAS A COPY OF THE COMMISSION'S INTER-
AGENCY PAPER IN FRENCH. WE ARE SENDING COPIES TO US

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